

Armenian Organized Crime Indictments
Prepared Remarks of U.S. Attorney Preet Bharara
October 13, 2010

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we unseal charges against dozens of members and associates of an international organized crime group who we believe to be responsible for the single largest Medicare fraud ever perpetrated by one criminal enterprise. In total, this Office has charged 44 people in two indictments, and many more have been charged in related cases around the country.

According to the first indictment, this criminal organization opened more than 118 bogus medical clinics in 25 different states. What's more, those clinics billed Medicare for over \$100 million in false claims even though most of the clinics existed only on paper. Most were nothing more than shams, shells, and storefronts.

The organization allegedly stole the identities of real doctors, stole the identities of real Medicare beneficiaries, and then submitted bill after bill for treatments that no doctor ever performed, and no patient ever received. And standing behind it all was a group of powerful international gangsters.

Who are they? An Armenian-American organized crime group that we refer to, based on the names of two of its leaders, as the Mirzoyan-Terdjanian Organization.

As alleged, its members are based in New York and Los Angeles, and their operations extend throughout this country and abroad.

As you will see from the unsealed charges, they bear some but not all of the hallmarks of classic La Cosa Nostra.

- This Armenian group allegedly employed a raft of rackets – extortion, credit card fraud, identity theft, immigration fraud, and even distribution of contraband cigarettes and stolen Viagra.
- They allegedly inspired loyalty through violence and intimidation, and chilling examples of that are described in the indictment.
- And, they are allegedly ruled and protected by bosses. In this case, the organization worked in tandem with a crime boss named Armen Kazarian, known in that community as a “Vor.” (that’s V-O-R).
 - There is no perfect analogy, but a Vor is a very rough equivalent of the traditional Godfather – a criminal figure of the highest rank from Russia or the Former Soviet Union who receives tribute, offers protection, and resolves disputes.
 - And like the traditional Godfather, Vors have long been elusive to law enforcement. In fact, today’s indictment represents the first time a known Vor has ever been charged with federal racketeering offenses in this country.

In important respects, though, this organization is a far cry from its La Cosa Nostra cousins.

For one thing, when it comes to making money illegally, this Armenian-American group puts the traditional mafia to shame – with 118 phantom clinics and over \$100 million in bogus billings, they ran a veritable fraud franchise.

Moreover, the reach of this organization stretches clear across the country, and well beyond our shores.

And so, in terms of profitability, geographic scope, and sheer ambition, this emerging international Organized Crime syndicate would be the envy of the traditional mafia.

And it has successfully sucker-punched this country's Medicare program. But, today, that run has come to an end.

Partners

Before going into greater detail about the central scheme, let me introduce my colleagues.

- Janice Fedarczyk, the Assistant Director in Charge of the New York Field office of the FBI;
- Commissioner Ray Kelly, of the NYPD;
- Glenn Sorge, Deputy Special Agent in Charge of the New York Office of Homeland Security;
- My friend Ed Tarver, the United States Attorney from the Southern District of Georgia; and

- Thomas O'Donnell, the Special Agent in charge of the New York Office of the Inspector General for the Department of Health and Human Services.

I would also like to thank the career prosecutors who are responsible for securing these indictments.

They are: Assistant U.S. Attorneys Arlo Devlin-Brown, Jennifer Burns , Benjamin Allee, William Harrington, Rebecca Rohr, and Alvin Bragg. I want to thank the Organized Crime and Complex Fraud Units and the White Plains Division – led by Miriam Rocah, Elie Honig, Jonathan Kolodner, Anirudh Bansal, and Diane Gujarati. Also, the AUSAs working on the forfeiture of assets – Kan Nawaday and Michael Lockard. Finally, I would like to thank the National Insurance Crime Bureau for its assistance.

Medicare Indictment

Now, the first indictment charges 28 individuals with a smorgasbord of racketeering violations.

But, as I mentioned, their real bread and butter was a massive, clever, and highly organized scheme to defraud Medicare and steal taxpayer dollars. Here's how it worked.

The participants took advantage of the fact that, by design, Medicare is user-friendly. It reimburses doctors in a timely manner to encourage the timely provision of medical services to seniors. So, here's what they did.

First, the conspirators would steal a doctor's identity.

Second, they would open a phantom medical corporation in the doctor's name.

Third, they would file an application to treat Medicare patients.

Fourth, they would open a bank account in a fake name so they could receive Medicare reimbursements; then they would immediately transfer the money elsewhere.

Fifth, they would steal the identities of thousands of real Medicare patients.

Sixth, they would bill Medicare for treatments that were never performed.

And finally, when a phony clinic was detected, which it was repeatedly, they returned to Step One.

With these plans in place - a phantom doctor, a phantom office, and phantom patients - the conspirators could bill Medicare with abandon, and that is exactly what they did.

As we allege, they had forensic pathologists (or autopsy doctors) billing for live office visits and eye doctors billing for bladder tests; they had ENT's doing pregnancy ultrasounds and obstetricians testing for skin allergies.

Chervin Indictment

A second indictment charges two members of the organization along with 16 other individuals – including two doctors, a lawyer, and a hospital employee – with allegedly operating another multi-million dollar health care fraud scheme.

In some cases, the defendants allegedly staged auto accidents to generate fake patients who would then undergo unnecessary and expensive treatments that would be billed and reimbursed. In other cases, actual accident victims were recruited and given dubious medical treatments – including painful nerve conduction exams – whether they needed it or not.

This separate long-running scam, as we charge, ripped off no-fault auto insurance companies to the tune of \$2.3 million.

Conclusion

Today's charges highlight an emerging and serious law enforcement problem of the 21st century – international organized crime. It is a problem that this Office – and the Department of Justice as a whole – is committed to rooting out. Equally important is our commitment to fighting and preventing health care fraud. Unfortunately, and in an epic way, those two threats have intersected in this case.

The indictment talks about phantom doctors, fancy cars, money laundering thru Vegas casino chips, threats to disembowel rivals, and more.

This is the kind of material that makes a great movie. But this is no movie. It is very real, and we are using every resource at our disposal to prosecute these alleged international gangsters.

Today's indictments should send a strong message to those who think they can game our country's health care system and steal taxpayer dollars that have been earmarked for our nation's elderly. We will use every tool and every resource we have at our disposal to punish you for your crimes.

Speakers

- Janice Fedarczyk, the Assistant Director in Charge of the New York Field Office of the FBI;
- Commissioner Ray Kelly, of the NYPD;
- Glenn Sorge, Deputy Special Agent in Charge of the New York Office of Homeland Security; and
- My friend Ed Tarver, the United States Attorney from the Southern District of Georgia.